




# **Virtual School Funding: Recommendations for Georgia**

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Prepared for Georgia Cyber Academy  
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and Herb Lewis



# Introduction

This presentation contains recommendations for funding of virtual schools in Georgia based on:

- A national survey of virtual school spending in other states and studies of virtual school funding
- A review of proposed spending levels for the Georgia Cyber Academy



# National virtual school funding levels

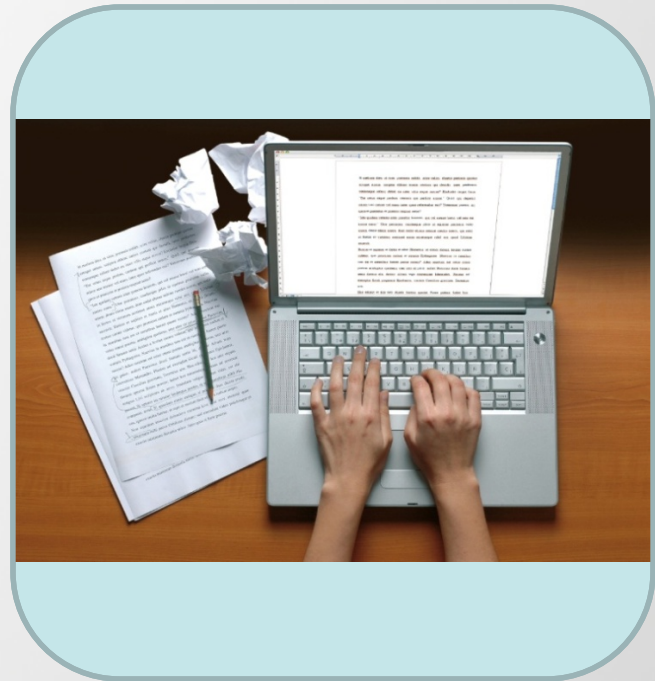
From several perspectives, a public virtual charter school funding level in the range of \$6,000 to \$7,000 per pupil is an appropriate funding level

- Reports from states across the country show that this is a typical funding range
- State audits of virtual school programs show that funding in this range is reasonable and enables schools to operate high-quality programs
- Studies by education consulting firms indicate that this is an appropriate funding range

# Georgia vs. National Funding Levels

Statewide public virtual schools in Georgia currently receive funding of about \$3,200 per pupil

Nationwide, funding for public virtual charter school pupils in states in which K12 Inc. operates virtual schools averaged \$6,037 per pupil in the 2008-09 school year



# Individual state funding levels

*Funding for K12 Inc. schools in 2008-09*

Arizona	\$5,860
Arkansas	\$5,770
California	\$6,340
Colorado	\$6,340
Hawaii	\$7,590
Idaho	\$4,360
Nevada	\$6,730
Ohio	\$6,200
Oregon	\$6,040
Pennsylvania	\$8,100
South Carolina	\$3,310
Texas	\$6,560
Utah	\$5,000
Wisconsin	\$6,320
<b>Average</b>	<b>\$6,037</b>

# Audits of virtual school funding

In Wisconsin, the Legislative Audit Bureau issued an audit report in 2010 which reported:

- Virtual school costs in the \$6,000 range are reasonable compared with the costs of educating students in traditional public schools
- Most of the money spent by virtual schools is spent on teachers and curriculum (93% of the total)
- The amounts paid to virtual schools under the state's open enrollment program are in line with their costs

# Wisconsin audit

## Discussion of funding issues from Wisconsin audit report:

- Per pupil funding in 2007-08 in eight schools in the five districts which operated large virtual school programs was found to range from \$3,687 to \$7,288, with four of the five districts in the \$5,466 to \$7,288 range
- In addition to these costs, districts often provided virtual charter schools with services that are not reflected in their per pupil spending figures, such as administrative services, guidance counseling and working space



# Virtual school spending components in Wisconsin

<b>Curriculum-related costs</b>	<b>47.5%</b>
Purchased curriculum	36.5
Computers, printers and internet for students	9.9
Other	1.1
<b>Staffing costs</b>	<b>45.8%</b>
Teacher salaries	23.9
Administrative and support staff salaries	8.4
Fringe benefits	11.7
Travel, professional development and fees	1.8
<b>Other expenditures</b> ( <i>advertising, office supplies, rent and utilities, pupil trips and events, etc.</i> )	<b>6.7%</b>
<b>Total</b>	<b>100.0%</b>

# Studies of virtual school funding

A comprehensive study of virtual school funding was conducted by Augenblick, Palaich & Associates, a nationally-known education consulting firm, in 2006

- **Recommendation:** Full-time virtual school programs should be funded at about \$7,200 to \$8,300 per pupil



# Studies (continued)

## Discussion points from Augenblick, Palaich study:

- The estimated base cost for serving students with no special needs ranged from \$7,500 per pupil for a state-led program with high levels of quality and instruction to as low as \$3,650 per pupil for a large program that does not invest in significant professional development for teachers and similar quality measures.
- Funding at the lowest level would allow a program to operate day-to-day but would not allow it to invest in research, development, innovation, quality assurance and planning for growth.



# Review of GCA Proposed Funding Budget

Tapped local community financial professionals (not from education community) to review proposed funding

- **Herb Lewis**, CPA
- **Jim Olson**, former community bank CEO, former KPMG, Peat Marwick Partner

Asked to review proposed Georgia Cyber Academy budget compared to Georgia PPR costs and virtual school funding in other states

# Funding Review (continued)

Review methodology mindful of Georgia House Bill 881 calling for virtual charter school funding to be reduced from PPR levels by

- Cost savings of omitting “bricks and mortar” facilities
- Efficiencies of technology
- Enablement of larger class sizes

Compared to current Georgia DOE FY 2009 Expenditure Report

Compared to available national data for virtual charter school funding in other states

# Comparison of GCA Proposed Budget vs. GA PPR Avg.

	Georgia PPR FY2009*	GCA Proposed	Savings
Instruction	\$ 6,015	\$ 5,644	\$ 371
Student/Staff Services	\$ 757	\$ 15	\$ 742
Administration/Governance	\$ 988	\$ 823	\$ 165
Facilities/Maintenance	\$ 718	\$ 36	\$ 682
Transportation	\$ 430	\$ -	\$ 430
<b>Total Funding</b>	<b>\$ 8,908</b>	<b>\$ 6,518</b>	<b>\$ 2,390</b>

\*Source: [http://app.doe.k12.ga.us/ows-bin/owa/fin\\_pack\\_revenue.display\\_proc](http://app.doe.k12.ga.us/ows-bin/owa/fin_pack_revenue.display_proc)

- GCA would provide 97% savings of the combined Facilities/Maintenance and Transportation costs of other GA public schools
- GCA would spend 87% of funding directly on instruction, compared to 68% in other GA public schools

**Funding lower than the proposed amount would necessitate cuts to GCA's instructional /academic model outlined in the application**

## Funding Review (continued)

Review shows the proposed GCA funding level is more than 26% less costly than the average Georgia PPR expenditures for 2009

Primary savings are obtained from reduced instruction costs

- Higher teacher / pupil ratios are targeted
- Salary levels for virtual environment are lower than “physical school” environment

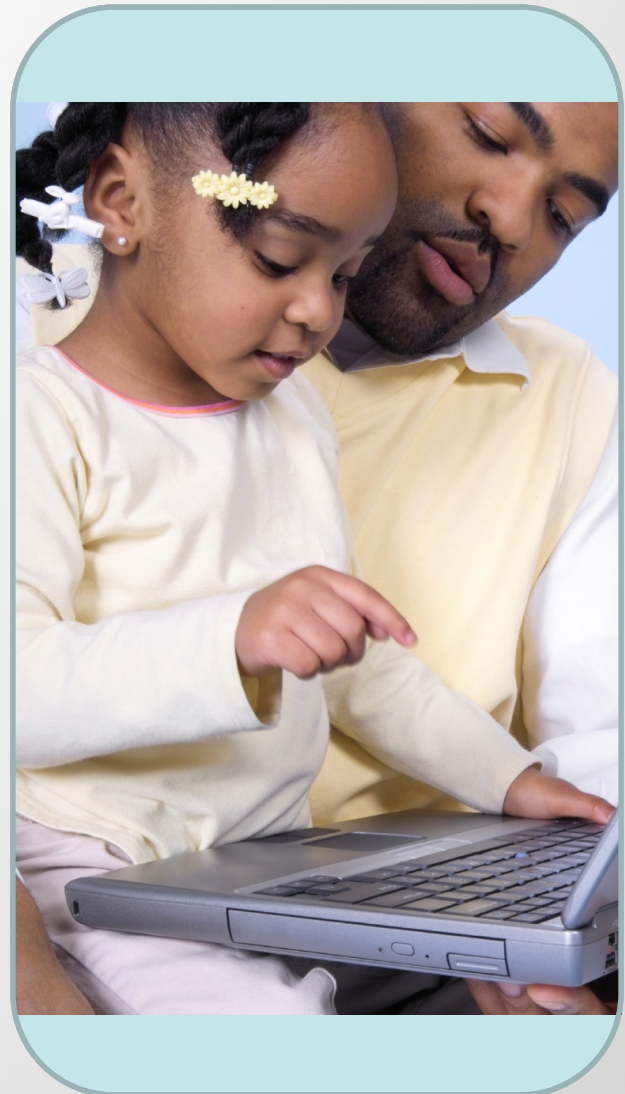
Substantial savings from far lower overhead (Student and Staff Services)

# Funding Review (continued)

Facilities / Maintenance costs are almost eliminated

- Should be noted that Georgia PPR comparative expenses do not even include the capital cost of school land acquisition and building construction

Elimination of transportation expenses (no bus / van program)  
student safety improved



## Funding Review (continued)

The comparable levels of virtual school funding for other states were also reviewed

The proposed GCA funding level of \$6,500 is reasonable when compared to the average funding level for a sampling of 14 states that were reviewed

# Conclusion

A per pupil funding level in the \$6,000 to \$7,000 range for 2010-11 is appropriate and reasonable, based on:

- Comparisons with funding levels in other states
- Audits of virtual school spending in other states
- Studies by education consulting firms

A per pupil funding level in this range enables virtual schools to provide a full range of education services to their students

# Contact information

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